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RUCPDOC/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 KINGSTON 000745

SIPDIS

STATE FOR WHA/CAR (BENT) AND WHA/PDA
STATE ALSO FOR INL/LP (BOZZOLO), EB/TPP, AND EB/IFD
STATE ALSO DOE CA/OCS/ACS/WHA (RUTH BRANSON)
STATE PASS OPIC FOR TABERNAKI
CUSTOMS MIAMI FOR LOWEN AND MAHABIR
SANTO DOMINGO FOR FCS, FAS, AND LEGATT
STATE PASS USTR FOR A. GASH-DURKIN
DOJ FOR OPDAT/R LIPMAN
TREASURY FOR LAMONICA

SIPDIS

E.O. 12958: N/A
TAGS: PGOV PREL EFIN ECON EINV PHUM ELAB KHIV JM
SUBJECT: KINGSTON POL/ECON ROUNDUP: April 1 - April 18, 2006

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¶1. This week's topics:

-- "Zeeks" Found Guilty of Murder
-- Buoyant Tourism Season
-- Sluggish Economic Growth in 2005
-- Inflation Slows During First Quarter
-- Estimates of Expenditure Tabled

"Zeeks" Found Guilty of Murder

¶1. The high profile murder trial of Donald "Zeeks" Phipps, reputed Kingston area drug don, concluded April 12 with a guilty verdict. Zeeks was convicted of the April 2005 murders of Dayton "Scotchbrite" Williams and Rodney Farquharson and is scheduled to be sentenced April 20. Zeeks could face the death penalty for the double non-capital murder conviction; however, his defense attorneys indicated there will be an appeal. Paula Llewellyn, Senior Deputy Director of Public Prosecutions, expressed the hope that the conviction will create a renewed a sense of faith in the justice system.

Buoyant Tourism Season

¶2. Preliminary estimates from the Jamaica Tourist Board suggest that the tourism industry is enjoying one of its best years on record. Total arrivals for the three-month period January-March jumped by 10 percent over the same period last year, to approximately 851,551. The improved performance stemmed from buoyancy in both segments of the market, with stopover arrivals jumping by 11.7 percent and cruise arrivals climbing by 8.3 percent. The robust growth reflects the addition of 2,000 hotel rooms and the increased

airlift from the U.S., the country's major source market. Industry sources also attribute the increase in arrivals to the physical improvement of cruise ports and resort towns. Further growth is expected during the next three months based on forward booking, but cruise arrivals could suffer from the fallout caused by the recent fire aboard a cruise ship en route to Jamaica.

Sluggish Economic Growth in 2005

¶13. Data released by the Statistical Institute of Jamaica showed that the economy grew by 1.5 percent during 2005. This was well below the 2.5 to 3 percent growth projected for the year. Output performance was moderated by a number of weather-related and oil price shocks during the year. The full year result would have been worse were it not for a recovery during the final quarter of 2005, when the economy grew by 2.7 percent due largely to a 27.2 percent increase in agricultural production.

Inflation Slows During First Quarter

¶14. The consumer price index shows that prices rose by 0.1 percent during March, continuing the trend observed since the latter part of 2005. The result also brought inflation for the first quarter of 2006 to 0.1 percent, following the zero percent recorded for the first two months. Inflation for the comparative period of 2005 was 1.4 percent. The first quarter inflation figure influenced a marked slowdown in the fiscal year (April to March) result to 11.4 percent. Prices are expected to rise in upcoming months, given the inflationary impulses expected from oil and cement price increases. Significant salary adjustment in especially the

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bauxite industry is also expected to drive inflation and inflationary expectations.

Estimates of Expenditure Tabled

¶15. The GOJ has tabled a JMD 358 billion (USD 5.5 billion) expenditure-budget for the 2006/07 fiscal year, 3.5 percent above the revised estimates for 2005/06. However, with inflation of 11.2 percent for the last fiscal year it means that expenditure has been reduced by 7.7 percent in real terms. This has prompted Opposition Spokesman on Finance, Audley Shaw, to suggest that the budget is not realistic and is an election budget. He expects the real budget to come after the elections. Recurrent expenditure, up 11.7 percent, will account for 61.7 percent of the budget, while capital spending will account for the other 38.3 percent. The proposed budget will place emphasis on Agriculture (up 58.6 percent), Tourism (up 48 percent), and Industry (up 26.4 percent). Interest payments of JMD 92 billion are up 9 percent and will continue to account for a large portion of the recurrent budget.